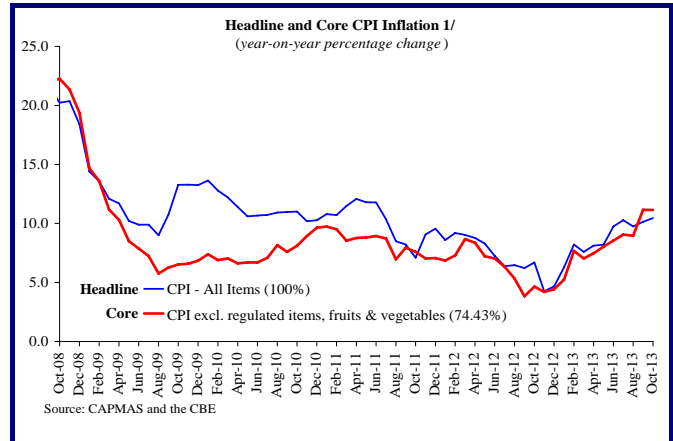
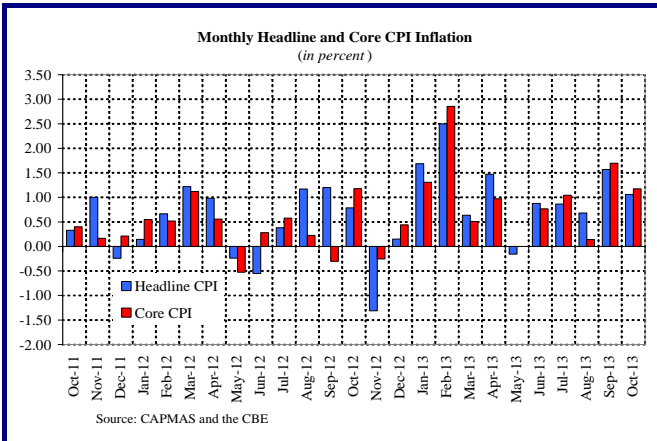


Headline and Core Inflation – October 2013

Headline CPI published by the Central Agency for Public Mobilization and Statistics on November 10, 2013, increased by 1.06 percent (m/m) in October compared to 1.57 percent (m/m) in September. The annual rate increased to 10.44 percent in October from 10.15 percent in September. The bulk of the monthly increase was driven by higher prices of several food items, mainly red meat, poultry, together with the inch up in the prices of some regulated items, primarily butane cylinders and public schools tuition. In the meantime, core CPI increased by 1.17 percent (m/m) in October compared to 1.70 percent (m/m) in September, on the back of increases in food prices. The annual rate remained stable at 11.15 percent in September and October. Meanwhile, the prices of retail items, paid services and other services witnessed increases of varying degrees.¹

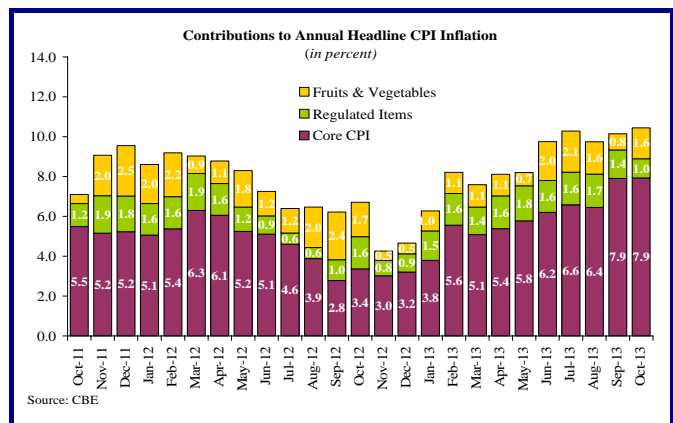
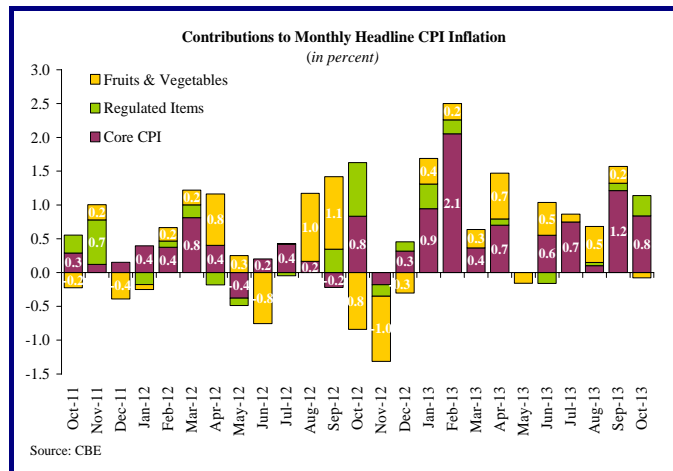


1. Headline CPI²

Headline CPI increased by 1.06 percent (m/m) in October compared to 1.57 percent (m/m) in September, which lies slightly below the average monthly pace of 1.13 percent recorded in the first nine months of 2013. Meanwhile, the annual rate increased to 10.44 percent in October from 10.15 percent in September, partially due to unfavorable base effect from previous year.

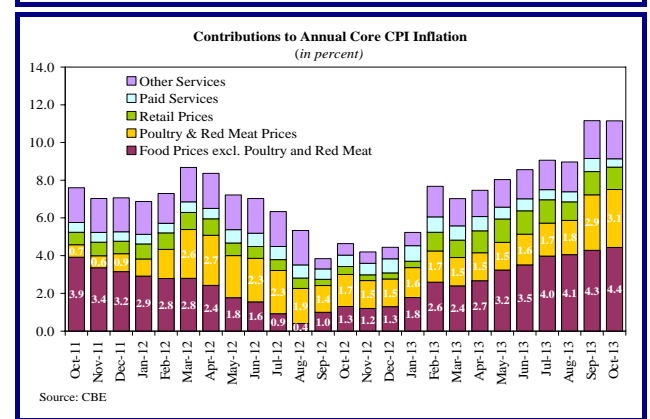
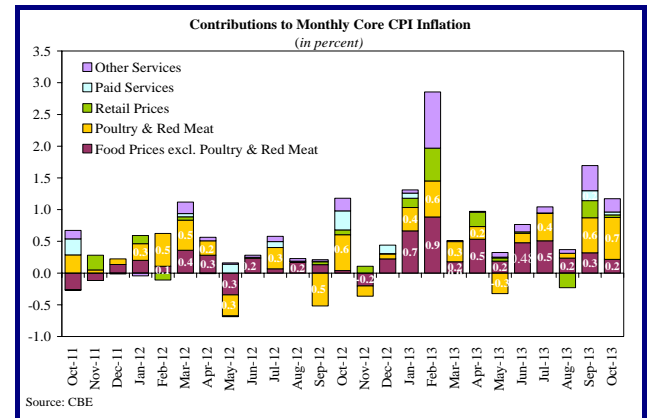
Key Highlights

- Prices of regulated items increased by 1.72 percent (m/m) in October, contributing by 0.30 percentage points to monthly headline inflation. This month's increase is attributed to the increase in the prices of butane cylinders by 20.47 percent due to supply shortage, in addition to the increase in the prices of public schools tuition by 4.23 percent.



- The prices of fresh vegetables slowed down to 0.28 percent (m/m) in October, which is well below the average monthly rate of 3.79 percent witnessed since the beginning of 2013. Moreover, the prices of fresh fruits declined by 4.46 percent in October. Together, the prices of fruits and vegetables contributed by negative 0.08 percentage points to monthly headline inflation.
- Poultry prices inched up by 4.44 percent in October, to contribute by 0.23 percentage points to monthly headline inflation. This brings the cumulative monthly increase in poultry prices to 32.22 percent since the beginning of the year.
- Prices of red meat increased by 3.45 percent (m/m) in October, contributing by 0.24 percentage points to monthly headline inflation. This brings the cumulative monthly increase in red meat prices to 8.97 percent since the beginning of the year.
- Prices of cheese increased by 5.74 percent (m/m) in October, after remaining unchanged since July, contributing by 0.10 percentage points to monthly headline inflation.
- Prices of eggs increased by 4.72 percent (m/m) in October, contributing by 0.09 percentage points, which brings the cumulative monthly increase to 38.48 percent since January 2013.
- Prices of fish and seafood declined by 2.67 percent (m/m) in October, to contribute by negative 0.09 percentage points to monthly headline inflation.
- Prices of other services recorded an increase of 0.77 percent (m/m) to contribute by 0.15 percent to monthly headline inflation, on the back of higher price of restaurants and private schools tuition. Meanwhile, the prices of paid services witnessed a slight monthly pick up by 0.57 percent to contribute by 0.03 percentage points each, to monthly headline inflation.
- The retail prices registered a insignificant monthly increase of 0.25 percent to contribute by 0.03 percentage points each, to monthly headline inflation.

The bulk of the monthly increase in October was largely driven by the developments in the food prices mentioned above which contributed by 0.88 percentage points to monthly core inflation. The rest was accounted for by the increase in the prices of other services, retail items and paid services, which contributed jointly by 0.3 percentage points to monthly core inflation.



1/ CAPMAS publishes three CPI series: (1) the CPI for urban areas which include Cairo, Alexandria, urban Lower Egypt, urban Upper Egypt, Canal cities and Frontier governorates, (2) the CPI for rural areas, and (3) the CPI for All areas. Numbers quoted in this note refer to CPI-Urban.

2/ It is important to underscore that the monthly percentage changes of both headline and core CPI between September 2009 and July 2010 do not match rates of changes presented in previous inflation notes given the replacement of the 8th CPI series by the 9th series starting from August 2009 (Full details are discussed in the Technical Appendix of the August 2010 Inflation Note).

2. Core Inflation²

Core CPI increased by 1.17 percent (m/m) in October compared to 1.70 percent (m/m) in September, which is slightly above the average monthly pace of 1.03 percent recorded in the first nine months of 2013. The annual rate remained stable at 11.15 percent in September and October.

Table 1.
Classification of All Items included in Core CPI

Food	Retail	Paid Services	Other Services
Bread and cereals	Clothing	Tailors, laundry & shoe repair	Rentals (new law)
Meat	Fabrics	Dwelling maintenance services	Rental value of owner occupied housing
Fish and other seafood	Footwear	Portman & gardener's services	Hospital services
Eggs & Dairy products	Products related to dwelling repairment	Cook & maid's services	Transportation Services
Oils and fats	Furniture	Technicians to HH appliances	Mobile & internet services
Dried fruits	Carpets and other floor covering	Repairs of Audio-visual equipment	Recreational & sporting services
Processed vegetables	Household (HH) textiles	Physicians	Cultural services
Pulses	HH appliances	Mechanics	Hajj & Omra trips
Sugar and confectionery	Glassware, tableware and HH utensils	Teachers	Restaurants and Cafes
Other food products	HH small tools & supplies	Hairdressers	Accommodation services
Beverages	HH cleaning products		Private schools
	HH miscellaneous products		
	Purchase of vehicles		
	Spare parts		
	Motor oil		
	Telephone & telefax equipment		
	Home entertainment equipment		
	Recreational equipment		
	Personal care supplies and products		
	Personal effects		
	Books		
	School supplies		
	Medical care goods		

Table 2.
Consumer Price Index and Major Components 1/

	Weight in basket 2/	October 2012	October 2013	October 2013 to September 2013	October 2013 to October 2012
	(in percent)	(index)	(index)	(percentage change)	(percentage change)
(January 2010 = 100)					
Headline - All items	100.00	127.23	140.52	1.06	10.44
Food and beverages	39.92	143.21	165.18	1.17	15.34
Tobacco and related products	2.19	201.78	218.43	0.00	8.25
Clothing and footwear	5.41	107.14	109.58	0.00	2.27
Housing, water, electricity, gas and other fuels	18.37	112.74	114.88	1.34	1.89
Furnishings, household equipment and routine maintenance of the dwelling	3.77	114.85	129.72	0.39	12.95
Medical care	6.33	104.63	114.83	0.00	9.74
Transportation	5.68	104.90	112.72	0.07	7.45
Communications	3.12	95.47	95.36	0.00	-0.12
Recreation and Culture	2.43	124.11	145.17	0.82	16.97
Education	4.63	152.18	157.94	3.78	3.78
Hotels, cafes and restaurants	4.43	118.88	145.75	1.97	22.60
Miscellaneous goods and services	3.73	105.25	105.61	-0.26	0.34
Selective aggregates					
Fruits & vegetables 3/	6.90	192.75	221.41	-0.71	14.87
Regulated items	18.66	125.49	132.03	1.72	5.21
Food excl. fruits & vegetables	31.08	134.70	156.56	1.83	16.22
Retail items	14.48	108.15	115.58	0.25	6.86
Paid services	5.87	125.57	132.46	0.57	5.49
Other services	23.00	111.30	119.20	0.77	7.10
Core CPI	74.43	121.59	135.14	1.17	11.15

1/ Source: CAPMAS and CBE calculations

2/ Based on 2008/2009 Household Expenditure Survey

3/ Excluding pulses, processed vegetables and dried fruits